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Byron Dorgan, Chairman

# DEMOCRATIC POLICY COMMITTEE

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SPECIAL  
REPORT

## **Rhetoric vs. Reality: Republicans and Democrats on Protecting Social Security and Medicare**

DPC Staff Contact: Bob Ludke (202) 224-3232  
DPC Press Contacts: Ranit Schmelzer (202) 224-2939  
Barry Piatt (202) 224-2551



## **Democrats Work to Protect Social Security and Medicare from Risky GOP Tax Breaks and Bush Privatization Scheme**

Recently, a bipartisan consensus has been reached that the Social Security surplus should be reserved only for ensuring the long-term solvency of the program. Notwithstanding those claims, the Republicans persist in advancing oversized tax breaks and a Social Security privatization plan that could imperil the financial future of this essential safety net.

In contrast, Democrats believe the best course of action is to reserve the Social Security and Medicare surplus, pay down the national debt, and use those savings to extend the long-term solvency of both of these programs.

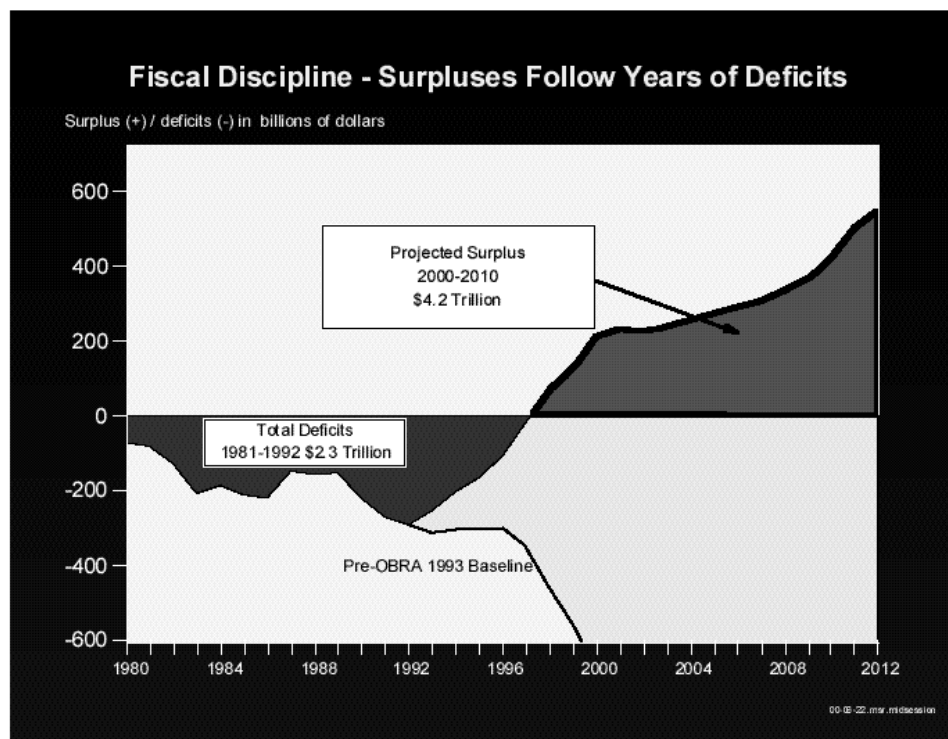
### ***Democrats Responsible for Record Budget Surplus***

Earlier this month, the Office of Management and Budget released its Midsession Review for Fiscal Year 2001. The Midsession Review predicted that the federal surplus would reach \$1.9 trillion over the next ten years. If the surplus in the Social Security trust funds is included, the federal government's surplus is estimated to reach \$4.2 trillion.

Much credit for the unprecedented surplus goes to Congressional Democrats. When President Clinton was elected in 1992, the federal budget had a record \$290 billion deficit. In 1993, President Clinton proposed a program with budget savings of \$505 billion over five years – with more than one-half that amount coming from spending cuts. Passed with only Democratic votes, the 1993 deficit reduction package set the stage for the surpluses of today.

In 1992, the Congressional Budget Office estimated the deficit for FY 2000 would be \$455 billion. Instead, as the result of prudent Democratic economic policies, the projected surplus for FY 2000 is a record \$211 billion — a \$666 billion turnaround.

The foundation for the historic economic expansion the United States has enjoyed in recent years can be directly attributed to the Democrats' deficit reduction efforts. Addressing the deficit contributed to lower interest rates. The lower interest rates have helped unleash the productive potential of the American people and American businesses, fueling record investment growth and sustained economic growth, low inflation, and future budget surpluses.



The projected budget surpluses present America with an historic opportunity. The non-Social Security surplus will be the first such surplus of significant size in generations. There is a clear distinction between the plans the Democrats and Republicans have for the surplus — the Democrats want to seize this historic moment to address the nation's priorities. In sharp contrast, the Republicans see the surplus as a piggy bank for their massive, risky tax breaks and Social Security privatization schemes.

## **Democratic Agenda — Addressing the Priorities of the Nation**

The Democrats stand ready to invest in key priorities such as ensuring the long-term health of Social Security, reducing school class size, repairing and modernizing schools, responsibly cutting taxes, and strengthening Medicare by increasing solvency and providing a prescription drug benefit to senior citizens.

Democrats have proposed a real Social Security and Medicare lockbox that reserves the entire Social Security and Medicare surpluses for extending the solvency of these programs. Reserving the Social Security and Medicare surpluses for debt reduction will increase national savings and continue to improve the financial position of the government, making it easier to finance future Social Security and Medicare benefits for the baby boom generation.

The Democratic plan would save the entire Social Security and Medicare surpluses — \$2.7 trillion over ten years — to eliminate the national debt by 2012. If these programs are credited with the interest savings from this debt reduction, actuaries from the Social Security Administration estimate that the solvency of Social Security will be extended until at least 2057, and Medicare until 2030.

## **The Republican Agenda — Empty Promises**

In comparison, the Republicans have proposed a worthless Social Security lockbox plan, a series of oversized tax breaks, and a risky Social Security privatization scheme.

Last year, the Republicans introduced a phony lockbox proposal that does not adequately protect Social Security and does even less for Medicare. The so-called “lockbox” would not extend the life of Social Security or Medicare by a single day.

Furthermore, the Republican plan contains a trap door: Any legislation that Republicans label as “Social Security reform” could use Social Security surpluses for any number of purposes — including tax cuts and Social Security privatization plans.

## **\$2.8 Trillion in Tax Breaks Proposed by GOP This Year**

The Republican tax breaks are a risky mix of plans designed to benefit the wealthiest Americans. Their true costs are hidden in later years and are accompanied by a Social Security privatization plan that could threaten the long-term health of the program.

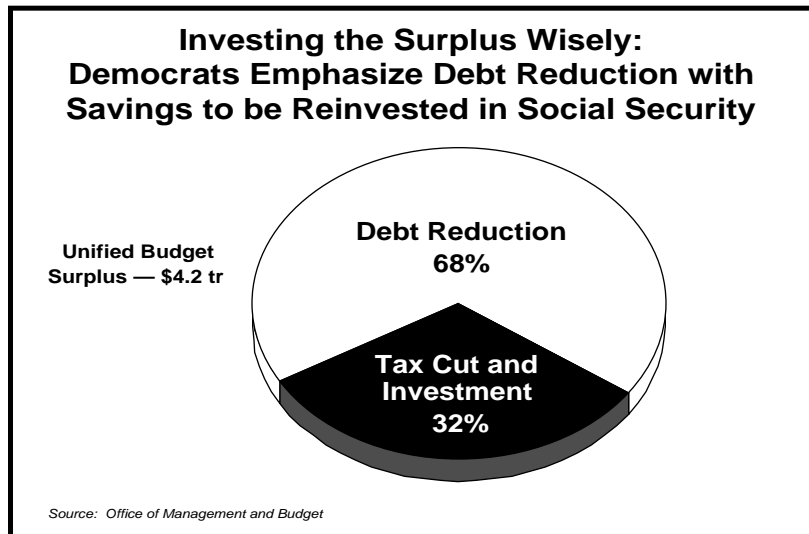
Exploiting their lockbox's trap door, the Republican Congress has brought \$644 billion in tax breaks up for a vote this year. These tax breaks include:

• estate tax cut for billionaires	\$104 billion
• flawed marriage penalty plan	\$248 billion
• private education accounts	\$ 21 billion
• additional miscellaneous tax cuts	\$153 billion
• debt service on these tax breaks	\$118 billion
Total, GOP tax breaks	\$644 billion

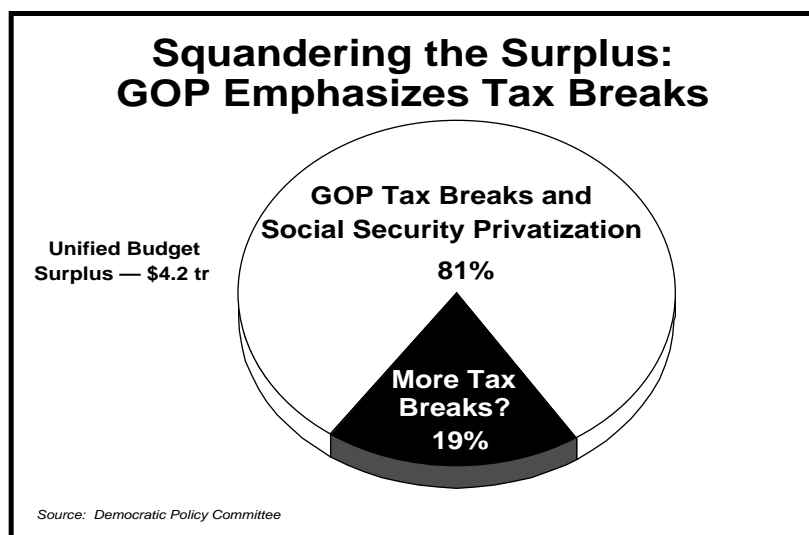
George W. Bush has proposed an additional \$1.3 trillion in tax cuts and a \$1.1 trillion Social Security privatization plan. Combined with the additional debt service that would result from these proposals, the total cost of the Republican tax and Social Security privatization plan is \$3.4 trillion.

Even with the recent increase in the budget surplus, the combined Republican tax and Social Security privatization plans would consume all of the non-Social Security surplus and \$1.5 trillion of the Social Security surplus. In other words, the total of Republican tax breaks and Social Security privatization plans would consume all but \$800 billion of the total budget surplus.

As the pie chart below indicates, Democrats would reserve 68 percent of the budget surplus for paying down the national debt. Savings from eliminating the debt would be used to ensure the solvency of Social Security until at least 2057 and Medicare until 2030 — a record number of years.



This pie chart shows that Republicans have already proposed to spend more than four-fifths of the surplus on tax breaks and a Social Security privatization plan — with more tax cuts probably on the way before the year is over. If enacted, the Republican plans would seriously threaten the long-term health of Social Security and Medicare.



## **Unlike Republicans, Democrats Support Real Protections for Social Security and Medicare**

Democrats passed a deficit reduction plan in 1993 that has set the stage for our record budget surpluses and historic economic prosperity. While Democrats want to build on our strong economy so all Americans will have bright futures, Republicans would squander the surplus on massive tax cuts and Social Security privatization schemes that could return the government to a period of deficit spending and slow economic growth.